

Service Date: April 24, 2000

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER OF RIVER ROCK WATER	)	UTILITY DIVISION
AND SEWER COMPANY, L.L.C., Application	)	
For Approval of Initial Rates for Water and	)	DOCKET NO. D2000.3.31
Wastewater Services in the River Rock	)	ORDER NO. 6241
Subdivision, near Belgrade, Gallatin County	)	

INTERIM ORDER

BACKGROUND

1. On March 6, 2000, River Rock Water and Sewer Company, L.L.C. (River Rock) c/o PC Development, 4135 Valley Commons Drive, Suite A, Bozeman, Montana, 59718, filed an application before the Public Service Commission (PSC), requesting approval of initial rates for water and wastewater (sewer) services to customers within the River Rock Subdivision, near (southwest of) Belgrade, Gallatin County, Montana.

2. River Rock has requested that rates be approved on an interim basis.

FINDINGS OF FACT AND DISCUSSION

3. River Rock proposes monthly rates with two components, a base rate by meter size and a commodity rate by HCF (100 cubic feet) water used. The proposed rates for water service are, per month, \$12.50 for ¾ inch meters, \$15.00 for 1 inch meters, \$18.50 for 1 ½ inches, \$24.00 for 2 inch meters, \$35.00 for 3 inch meters, \$55.00 for 4 inch meters and \$112.00 for 6 inch meters. The proposed commodity rates for water service are, per HCF over 2 HCF (the first 200 cubic feet are included in the base rate) per month, \$1.80 for residential single-family class customers, \$1.50 for residential multi-family class customers, \$1.10 for commercial class customers, and \$1.35 for schools/institutional class customers.

4. For sewer service River Rock proposes monthly rates with two components, a base rate of \$11.00 per month for all metered customers and an additional charge of \$1.90 per average monthly HCF of water used by the customer during the previous sequence of winter months, November, December, January and February. River Rock is a 1000+ unit residential development.

5. River Rock has not charged for water and wastewater disposal service, prior to the purchasing of units in the subdivision the owners were informed that charges would be assessed for said service.

6. River Rock does not have any historical data to provide for the establishment of its proposed rates. Actual costs, where possible, have been used in the development of initial rates, all other support is estimated and based on full occupancy. The expenses are allocated 45% to water and 55% to wastewater, this allocation is based on revenue estimates for the period of 1/1/2000 through 12/31/2000.

7. For the purposes of this filing, 86.6% of the equity capital is transferred to debt, creating a hypothetical debt/equity structure of 13.4% equity and 86.6% debt. The return allowed on equity of 10% is a rate recently allowed by the Commission. Water testing is allocated 100% to water and wastewater sampling and monitoring is allocated 100% to sewer.

8. The state tax is estimated at 6.75% while the federal tax has been estimated at 15%, all other taxes and health fees have been based on full occupancy.

9. The PSC finds that River Rock's proposed initial rates have a reasonable basis as projected. The PSC determines that this filing should be approved on an interim basis to allow River Rock time to develop historical data on this project.

10. The interim authorization may become final (following any required procedure at that time) on or after April 21, 2001, upon the following conditions: (1) River Rock shall file cost information according to PSC requirements which shows a historical test year; and (2) River Rock shall apply for final approval of the rates. The PSC, after an opportunity to examine and do discovery on the submitted information, will issue a final order.

CONCLUSION OF LAW

1. The Montana Public Service Commission is responsible for the supervision, regulation, and control of public utilities pursuant to the provisions of Title 69. Section 69-3-102, MCA.

2. River Rock is a public utility subject to the PSC's jurisdiction. Section 69-3-101, MCA.

3. The water and wastewater service offered by River Rock is subject to the regulatory authorization of the PSC.

4. River Rock is required to file with the PSC tariffs showing all rates, charges and all rules affecting rates to be charged. Section 69-3-301, MCA.

ORDER

1. River Rock shall file tariffs pursuant to the directives in this Order. River Rock is granted authority, on an interim basis, to charge for water and wastewater disposal (sewer) service in the River Rock subdivision, near Belgrade, Gallatin County, Montana.

2. The interim relief granted in this Order is to be effective immediately.

3. The rates in this Order may be subject to rebate when the PSC issues a Final Order in this Docket. If the Final Order reflects rates and charges lower than approved in this Order a rebate will be issued with interest calculated on River Rock's return on equity of 10 percent.

4. On or after April 21, 2001, River Rock shall file cost information as set forth herein and request final approval of the rates for water and wastewater disposal service to River Rock subdivision, near Belgrade, Gallatin County, Montana.

DONE IN OPEN SESSION at Helena, Montana the 18<sup>th</sup> day of April, 2000 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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DAVE FISHER, Chairman

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NANCY MCCAFFREE, Vice Chair

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BOB ANDERSON, Commissioner

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GARY FELAND, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.  
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.

